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C O N F I D E N T I A L SECTION 01 OF 03 BEIRUT 000321

SIPDIS

DEPT FOR NEA/FO, NEA/ELA

ALSO FOR EEB ACTING A/S D NELSON, EB/ODF R DEMARCELLUS
DRL/NESA WHITMAN, BARGHOUT

IO ACTING A/S WARLICK

P FOR DRUSSELL, RRANGASWAMY

USUN FOR WOLFF/GERMAIN/SCHEDLBAUER

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [EFIN](#) [PINR](#) [ENRG](#) [LE](#)

SUBJECT: LEBANON: FINMIN CHATAH ON 1701, PRE-ELECTION ANTICS

REF: A. 3/17/09 TACHCO-DE MARCELLUS ET. AL. EMAILS

[¶](#)B. STATE 110753

Classified By: Ambassador Michele J. Sison for reasons 1.4
(b) and (d).

SUMMARY

[¶](#)1. (C) In a March 17 meeting with the Ambassador, Minister of Finance Mohammad Chatah lamented the fact that Lebanon had not presented its case to the international community better on the illegality of the Israeli occupation of Ghajar village. He said UN reports on UNSCR 1701 had fallen short from the beginning because of a lack of focus on "final status" issues between Lebanon and Israel, and he believed the UN was not taking ownership of the process.

[¶](#)2. (C) Chatah, who continues to serve as a close advisor to Prime Minister Siniora, asserted that the current national unity government has been ineffectual in carrying out its policy objectives, and complained that pre-election political maneuvering across the political spectrum was putting unacceptable pressure on Lebanon's public finances. In advance of his upcoming trip to Washington in April for the World Bank/IMF meetings, Chatah hoped he would be able to convince the Saudis to come up with previously pledged funding to top off Arab Fund money for the power sector. He urged that the USG approve the use of cash transfer funds to pay GOL debt owed to the Kuwaiti Petroleum Corporation. End summary.

ISRAEL WITHDRAWAL FROM GHAJAR
"OBVIOUSLY RIGHT"

[¶](#)3. (C) The Ambassador, accompanied by EconOff, called on Finance Minister Chatah in his ministry office in downtown Beirut March 17. Chatah advisor Huda Saigh also attended the meeting. Commenting on press reports that the U.S. was pushing for an Israeli withdrawal from Ghajar village before the June 7 Lebanese parliamentary elections, Chatah wondered about progress on that front following the formation of a new Israeli government.

[¶](#)4. (C) Chatah said he thought the current strategy of

negotiations on Ghajar to be "the wrong way to go." He believed an Israeli withdrawal should be "obviously right, politically, and in every other way." He lamented the fact that the Lebanese had not done a better job of pointing out that the Israeli occupation of Ghajar was a direct violation of UNSCR 1701, and that there was no strategic reason for the Israelis to stay there. At this point, he said, even if there were an Israeli withdrawal, he believed it would be portrayed as falling short of expectations, because of the need to grant "custody" to the UN, without an end date at which Lebanon would take control.

NO UN "OWNERSHIP" OF 1701

¶15. (C) More generally, Chatah said the periodic UNSCR 1701 reports had fallen short of expectations since the first such report in 2007, since they did not address the UNSCR's request that the UNSYG work with both the Lebanese and the Israelis to resolve "final status issues" such as a permanent ceasefire and delineation of borders. He believed the Lebanese should move forward on their own agenda, an agenda not based on Palestinian-Israeli or Syrian-Israeli negotiations but an agenda that worked towards fulfillment of the 1949 Israeli-Lebanon armistice agreement, normalization of relations, and all of the "good things in 1701." He claimed the UN was not taking necessary "ownership" of such issues in its monitoring of the 1701 provisions.

ELECTIONEERING THREATENING
PUBLIC FINANCES

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¶16. (C) Chatah complained about the current national unity cabinet and its inability to move forward important reform initiatives as outlined in Lebanon's Paris III priorities and in the 2008 ministerial statement (septel). He also noted that electioneering in advance of Lebanon's June 7 parliamentary elections seemed to be bringing bills before parliament that would put unacceptable pressure on national finances already stretched to the limit. He pointed out that Lebanon's teachers planned to strike in the coming days, asking for a "substantial" wage increase for elementary school teachers, who were on a lower salary scale than secondary school teachers, despite requiring equal qualifications. He worried that in an election year, parliament might vote to grant their demands, which would mean a tremendous increase in expenditures for the government, already facing a deficit of more than 12% of GDP in 2009. (Note: Teachers and school administrators also provide services as election poll worker, as most polling places are located at public schools. Their boycotting the polls could conceivably sabotage the June 7 elections. Parliament is meeting today in its first regularly scheduled session. The main item on the agenda is lowering the voting age to 18. MPs tell us that after this session, Parliament is expected to adjourn until after the June 7 parliamentary elections. End note.)

¶17. (C) Chatah also noted that several parliamentarians, led by opposition Free Patriotic Movement leader Michel Aoun, had proposed the elimination of the gasoline excise tax (the existence of which is triggering the USG disbursement of USD 50 million in budget support to the GOL in response to the GOL's having attained this economic reform benchmark). If the tax were eliminated, it would cost the GOL around USD 600 million in revenues, Chatah said. He also pointed out that Minister of Public Works Ghazi Aridi, a fellow March 14 minister, was planning to accompany a group of drivers from the Lebanese truckers union to the Finance Ministry to protest the tax. When the Ambassador said perplexedly, "Aridi? But he is March 14," Chatah joked, "Marc what??"

WHERE IS THE SAUDI MONEY?

¶18. (SBU) The Ambassador asked about the status of USD 1 billion in funds pledged by Saudi Arabia following the 2006 Israel-Hizballah war. Chatah said he hoped to meet with Saudi officials about this during the April World Bank/IMF meetings in Washington. He noted that after a report from the Ministry of Energy and Water and its own study, the Arab Fund had expressed an interest in providing USD 500-600 million to implement the GOL's strategic plan on electricity provision, including building new generation plants and upgrading the network. Chatah said the proposed Saudi money, along with the Arab Fund contribution, would allow the GOL to execute the entire plan. "The electricity plan is dependent on the Saudis," he said.

USG CASH TRANSFER

¶19. (SBU) On the topic of the pending USG disbursement of USD 50 million in debt payment on behalf of the GOL, Chatah asked that the USG, instead of paying low-interest World Bank debt, pay GOL debt owed to the Kuwaiti Petroleum Corporation for loans on fuel purchased for electricity production at Electricite du Liban (EDL), the state-owned electricity utility (Ref A). The Ambassador said she would inquire with the Washington inter-agency.

COMMENT

¶10. (C) Chatah, one of our most clear-thinking and straight-talking interlocutors, has expressed his vision of a path of Lebanese-Israeli peace to many senior USG officials.

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His keen analysis of both political and economic issues makes him an invaluable resource for us and for his country, and while he is adamant he will not run for office in the June elections, we hope to see him continue in public life. Post looks forward to arranging high-level meetings for him with USG officials during his April trip to the United States.
End comment.

SISON